

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 EB-07 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 /099 W

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R 311350Z DEC 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8828

INFO AMEMBASSY BONN

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: PRICE RELIEF ON HEAVY FUEL OIL

REF: (A) ROME 17248 (NOTAL); (B) A-645, 10/11/74 (NOTAL)

BEGIN UNCLASSIFIED

1. GOI RECENTLY ANNOUNCED PROVISIONAL (PENDING COMPLETION REVIEW
ENTIRE PETROLEUM PRODUCT PRICE STRUCTURE) INCREASE IN PRICES ALL
CATEGORIES HEAVY FUEL OIL EFFECTIVE JAN. 1. WIDELY-USED HIGH
SULFUR HEAVY FUEL OIL GOES TO LIT. 48,200/M.T. (US DOLS 74.24 AT
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LIT. 660 TO US DOL 1) FROM LIT. 41,700/M.T. (US DOLS 63.18). ENTIRE

INCREASE WILL GO TO COMPANIES. PRESS COMMENT CITING MINISTERIAL SOURCES REFERRED TO LOW ITALIAN DOMESTIC PRICES COMPARED WITH PREVAILING EUROPEAN LEVELS, WHICH HAS DISCOURAGED IMPORTATION, AND INABILITY DOMESTIC REFINERS TO MEET DOMESTIC DEMAND BY INCREASING REFINERY RUNS (CURRENTLY RESTRAINED DUE OVERABUNDANCE GASOLINE AND MIDDLE DISTILLATES).

2. ENTIRE NEW PRICE STRUCTURE FOLLOWS BY AIRGRAM. END CLASSIFIED.

3. COMMENT: NET OF TAXES, COMPANY RECEIPTS OF LIT. 48,200/M.T. FOR MOST WIDELY-USED GRADE REMAINS LOWEST IN EUROPE, AND STILL SLIGHTLY BELOW RECENT ROTTERDAM SPOT PRICES ACCORDING TO ITALIAN SOURCES. NEVERTHELESS, INCREASE AT THIS TIME INDICATES GREATER DISPOSITION ON PART GOI TO RECOGNIZE PROBLEMS OF COMPANIES, EVEN IF ALTERNATIVE MORE-OR-LESS CLEARLY PRESENTED WAS INCREASED PROBABILITIES OF SUPPLY SHORTAGES. INCREASE GRANTED WILL NOT RESTORE COMPANIES TO PROFIT-ABILITY; HOWEVER, REFINERY ACTIVITY, PARTICULARLY ON PART LARGER INDEPENDENTS, SHOULD BE STIMULATED AS LOSSES ON HEAVY FUEL OIL CAN BE MORE EASILY ABSORBED BY OTHER PRODUCTS. RE-ENTRY INTO DOMESTIC MARKET CARGO OPERATORS AND OTHER SPOT PURCHASERS (ASIDE FROM END-USERS) UNLIKELY IN VIEW CONTINUING LOW PRICE LEVELS. PRICE INCREASE UNLIKELY TO DECREASE CONSUMPTION OVER SHORT-TERM DUE PREVALENCE CONSUMPTION FOR INDUSTRY AND POWER GENERATION, AND LACK FEASIBLE SUBSTITUTES. END COMMENT VOLPE

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